



Dave Yost • Auditor of State

VILLAGE OF CHESTERHILL
MORGAN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Auditor's Report	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances - All Fund Types - For the Year Ended December 31, 2013	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances - All Fund Types - For the Year Ended December 31, 2012	4
Notes to the Financial Statements	5
Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	25

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Dave Yost • Auditor of State

AUDITOR'S REPORT

Village of Chesterhill
Morgan County
P.O. Box 191
Chesterhill, Ohio 43728

To the Village Council:

Report on the Financial Statements

We have selectively tested the financial statements of the Village of Chesterhill, Morgan County, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012.

The accompanying financial statements present receipts and disbursements by fund totals only. Ohio Administrative Code § 117-2-02(A) requires governments to classify receipt and disbursement transactions.

There are reportable findings and conditions as a result of performing these procedures. Our reportable findings and conditions follow the financial presentation. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, and we express no opinion on them.

This report is intended solely for the information and use of management, the Village Council and other officials authorized to receive this report under Ohio Revised Code § 117.26, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

Columbus, Ohio

December 22, 2014

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**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND FUND CASH BALANCES
ALL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Balance 1/1/2013	Receipts	Disbursements	Balance 12/31/2013
General	\$ 12,715	\$ 44,390	\$ 52,154	\$ 4,951
Special Revenue:				
Street Construction	495	12,449	12,305	639
Highway Improvement	4,124	865	320	4,669
Fire	2,996	8,515	6,809	4,702
Parks & Recreation	(2,013)	526	195	(1,682)
<i>Total Special Revenue</i>	<u>5,602</u>	<u>22,355</u>	<u>19,629</u>	<u>8,328</u>
Capital Project:				
Building	(8,962)			(8,962)
Theater	(4,323)	3,562	2,750	(3,511)
Union Hall	3,081		3,081	0
<i>Total Capital Project</i>	<u>(10,204)</u>	<u>3,562</u>	<u>5,831</u>	<u>(12,473)</u>
Enterprise:				
Water Operating	87,557	169,809	162,658	94,708
Water Line Extension	5,210			5,210
Water Tower Improvement	10,534			10,534
<i>Total Enterprise</i>	<u>103,301</u>	<u>169,809</u>	<u>162,658</u>	<u>110,452</u>
<i>Total All Funds</i>	<u>\$ 111,414</u>	<u>\$ 240,116</u>	<u>\$ 240,272</u>	<u>\$ 111,258</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND FUND CASH BALANCES
ALL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Balance 1/1/2012 (as restated)	Receipts	Disbursements	Balance 12/31/2012
General	\$ 23,741	\$ 49,081	\$ 60,107	\$ 12,715
Special Revenue:				
Street Construction	602	11,570	11,677	495
Highway Improvement	3,291	833		4,124
Fire	1,372	7,999	6,375	2,996
Parks & Recreation	(2,303)	665	375	(2,013)
<i>Total Special Revenue</i>	<u>2,962</u>	<u>21,067</u>	<u>18,427</u>	<u>5,602</u>
Capital Project:				
Building	(8,962)			(8,962)
Theater	(3,160)	27,028	28,191	(4,323)
Union Hall	3,081			3,081
<i>Total Capital Project</i>	<u>(9,041)</u>	<u>27,028</u>	<u>28,191</u>	<u>(10,204)</u>
Enterprise:				
Water Operating	74,536	170,467	157,446	87,557
Water Line Extension	5,210			5,210
Water Tower Improvement	10,534			10,534
<i>Total Enterprise</i>	<u>90,280</u>	<u>170,467</u>	<u>157,446</u>	<u>103,301</u>
<i>Total All Funds</i>	<u>\$ 107,942</u>	<u>\$ 267,643</u>	<u>\$ 264,171</u>	<u>\$ 111,414</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Chesterhill, Morgan County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water utility services, trash pickup services and maintenance of Village streets. The Village contracts with the Chesterhill Volunteer Fire Department to receive fire protection services.

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The *Public Entities Pool of Ohio* is a risk-sharing pool available to Ohio local governments that provides property and casualty coverage for its members.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

The Village did not classify its receipts or disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code § 117-02-02(A). This Section requires classifying receipts and disbursements.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

The Village uses fund accounting to segregate cash that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle license tax money for constructing, maintaining, and repairing Village streets.

Fire Fund - This fund receives money from a tax levy approved by the voters to provide fire protection.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Theater Fund - This fund receives money from donations and grants for improvements to the Union Hall Theater.

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Operating Fund - This fund receives charges for services from residents to cover water service costs.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

The Village is required to comply with GASB Statement 54, effective for financial statements for periods beginning after June 15, 2010, entitled *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered nonspendable, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

Contrary to GASB 54 and Ohio Admin. Code § 117-02-02(A), the Village prepared unclassified financial statements wherein the fund balances are not classified in accordance with GASB 54.

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	<u>2013</u>	<u>2012</u>
Demand deposits	\$94,084	\$94,246
STAR Ohio	17,174	17,168
Total deposits and investments	<u>\$111,258</u>	<u>\$111,414</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$31,150	\$44,390	\$13,240
Special Revenue	20,678	22,355	1,677
Capital Projects	1,798	3,562	1,764
Enterprise	146,609	169,809	23,200
Total	\$200,235	\$240,116	\$39,881

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$59,456	\$52,154	\$7,302
Special Revenue	17,600	19,629	(2,029)
Capital Projects	0	5,831	(5,831)
Enterprise	157,277	162,658	(5,381)
Total	\$234,333	\$240,272	(\$5,939)

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$57,860	\$49,081	(\$8,779)
Special Revenue	19,084	21,067	1,983
Capital Projects	2,480	27,028	24,548
Enterprise	152,675	170,467	17,792
Total	\$232,099	\$267,643	\$35,544

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$57,797	\$60,107	(\$2,310)
Special Revenue	18,470	18,427	43
Capital Projects	25,000	28,191	(3,191)
Enterprise	152,675	157,446	(4,771)
Total	\$253,942	\$264,171	(\$10,229)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Street Construction, Highway Improvement, Fire, Theater, Union Hall and Water Operating funds by \$1,848, \$221, \$809, \$2,800, \$297 and \$6,098, respectively, for the year ended December 31, 2013 and in the General, Street Construction, Fire, Theater and Water Operating funds by \$2,310, \$2,827, \$1,555, \$3,191 and \$4,771, respectively, for the year ended December 31, 2012. Also contrary to Ohio law, at December 31, 2013, the Parks and Recreation, Building and Theater funds had cash deficit balances of \$1,682, \$8,962 and \$3,511, respectively, and at December 31, 2012, the Parks and Recreation, Building and Theater funds had negative fund balances of \$2,013, \$8,962 and \$4,323, respectively.

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. Debt

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Truck Loan	\$5,233	5.0%
Roof Loan	2,134	4.0%
Ohio Water Development Authority 1517	101,684	7.45%
Ohio Water Development Authority 1518	10,376	6.51%
Ohio Water Development Authority 3526	110,728	1.50%
Ohio Water Development Authority 4248	156,381	1.50%
Total	\$386,536	

The truck loan was obtained to provide financing for the purchase of a truck. The debt was paid from the Water Fund. The equipment is collateral for the loan.

The roof and window loan was obtained to provide financing for the repair and replacement of the Village Hall roof and windows. This loan is backed by the full faith and credit of the Village.

The Ohio Water Development Authority (OWDA) loan 1517 relate to a water distribution system improvements project. The Village will repay the loan over 25 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan 1518 relate to a water distribution system improvements project The Village will repay the loans semiannual installments of \$1,369, including interest, over 23 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan 3526 relate to a water system improvements project The Village will repay the loans semiannual installments of \$3,521, including interest, over 30 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan 5653 relate to a water system improvements project The Village will repay the loans semiannual installments of \$4,268, including interest, over 30 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

5. Debt (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Truck Loan	Roof & Window Loan	OWDA 1517	OWDA 1518	OWDA 3526	OWDA 4248
2014	\$4,326	\$2,168	\$27,468	\$2,734	\$7,042	\$8,536
2015	1,081		27,468	2,734	7,042	8,536
2016			27,468	2,734	7,042	8,536
2017			27,468	2,734	7,042	8,536
2018			27,468	2,734	7,042	8,536
2019-2023					35,210	42,680
2024-2028					35,210	42,680
2029-2033					28,168	42,680
2034-2035						17,072
Total	<u>\$5,407</u>	<u>\$2,168</u>	<u>\$137,340</u>	<u>\$13,670</u>	<u>\$133,798</u>	<u>\$170,720</u>

6. Retirement System

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

7. Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees. The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2013, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. Risk Management (Continued)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2012 and 2013 (the latest information available):

	<u>2012</u>	<u>2013</u>
Assets	\$34,389,569	\$34,411,883
Liabilities	<u>(14,208,353)</u>	<u>(12,760,194)</u>
Net Position	<u>\$20,181,216</u>	<u>\$21,651,689</u>

At December 31, 2012 and 2013, respectively, the liabilities above include approximately \$13.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$11.1 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2012 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Village's share of these unpaid claims collectible in future years is approximately \$6,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2013</u>
\$8,966	\$8,966

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

8. Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

9. Related Party Transactions

The Village contracted with Glen Tabler for cleaning and mowing services. Glen is the spouse of Council Member Tanya Tabler. Mr. Tabler as paid \$60 for cleaning services during 2013 and \$3,070 for mowing and \$50 for cleaning services in 2012. The minutes were silent as to the approval of this contract and as to whether Council Member Tabler abstained from the vote.

10. Restatement of Fund Balances

The Village reclassified certain revenues, previously reported as enterprise fund activity, to the General Fund. As a result of these reclassifications, the January 1, 2012 fund balances were restated as follows:

Fund Type	Audited 12/31/2011 Balance	Amount	Restated 1/1/2012 Balance
General Fund	\$ 7,088	\$ 16,653	\$ 23,741
Enterprise Funds:			
Garbage Fund	4,538	(4,538)	0
Broadband Fund	12,115	(12,115)	0



Dave Yost • Auditor of State

AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Chesterhill
Morgan County
P.O. Box 191
Chesterhill, Ohio 43728

To the Village Council:

We have selectively tested certain accounts, financial records, files and reports of the Village of Chesterhill, Morgan County, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements following Ohio Admin. Code § 117-4-02. We noted the Village did not classify receipts and disbursements in its financial statements. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, internal control over financial reporting or compliance. We therefore express no opinion on these matters.

Internal Control Over Financial Reporting

During our procedures related to internal control over financial reporting we noted matters that, in our judgment, could adversely affect the Village's ability to initiate, authorize, record, process or report financial data consistent with management's assertions in the financial statements. In addition, these matters could result in the occurrence of misstatements that are caused by error or fraud that would not be detected in a timely manner by employees when performing the assigned functions. These matters are described in the Schedule of Findings as items 2013-003 and 2013-009 through 2013-013.

Compliance and Other Matters

We tested compliance with certain provisions of laws, regulations, contracts, and grant agreements applicable to the Village. Noncompliance with these requirements could impact the Village's ability to determine financial statement amounts. The results of our tests disclosed instances of noncompliance or other matters which are described in the accompanying Schedule of Findings as items 2013-001 through 2013-010.

Entity's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

Purpose of this Report

We intend this report solely for the information and use of the management and Village Council. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

December 22, 2014

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Noncompliance

Ohio Rev. Code § 117.13(C)(3) provides that the fiscal officer may distribute such total cost of the audit to each fund audited in accordance with its percentage of the total cost.

Auditor of State Bulletin 2009-011 includes the following guidance for allocating audit costs to funds:

The fiscal officer should determine which funds should be charged a percentage of the audit costs. The Auditor of State is of the opinion that most operating funds of a local government, including utility funds (i.e., water, sewer, electric, refuse), special levy funds, funds that receive gas taxes, and motor vehicle registration fees can be charged a portion of the audit costs.

Other funds of a local government that may be charged a percentage of the audit costs include bond and grant funds. The ability to charge bond funds will depend on the allowable uses defined in the bond legislation. Trust and other funds that receive donations restricted to specific purposes will require analysis by the fiscal officer of the restrictions imposed by the donor and/or trust agreement to determine if any audit costs may be charged to those funds. Agency funds, because of their custodial nature, should not be charged for any share of the cost of an audit for the fiscal officer's role as the fiscal agent.

In determining a percentage of total cost that may be charged to a fund, any reasonable and rational method such as a percentage of the fund's revenue or expenditures compared to the total revenue or expenditures for all funds, excluding agency funds, would be acceptable. A local government's indirect cost allocation plan may also be an acceptable method for allocating audit costs.

For grant funds, the costs of audits are allowable if the audits were performed in accordance with the Single Audit Act, and Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Generally, the percentage of costs charged to Federal awards for a single audit shall not exceed the percentage derived by dividing Federal funds expended by total funds expended by the recipient or sub-recipient (including program matching funds) during the fiscal year. The percentage may be exceeded only if appropriate documentation demonstrates higher actual costs. Other audit costs are allowable if specifically approved by the awarding or cognizant agency as a direct cost to an award or included as an indirect cost in a cost allocation plan or rate.

In 2012, the Village allocated audit costs to the General, Street Improvement and Water Operating funds; however, there was no documentation of the method used to determine allocation. This could result in unallowable charges to funds.

We recommend the Fiscal Officer determine and document a reasonable and rational method to determine allocation of audit costs.

Officials' Response: The Village will make corrections going forward.

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-002

Noncompliance

Ohio Rev. Code § 117.103(B)(1) states a public office shall provide information about the Ohio fraud-reporting system and the means of reporting fraud to each new employee upon employment with the public office. Each new employee shall confirm receipt of this information within thirty days after beginning employment. The auditor of state shall provide a model form on the auditor of state's web site (<https://ohioauditor.gov/fraud/FraudReportingSystemModelForm.pdf>) to be printed and used by new public employees to sign and verify their receipt of information as required by this section. The auditor of state shall confirm, when conducting an audit under § 117.11 of the Revised Code, that new employees have been provided information as required by this division.

The Village did not obtain a signed confirmation of notification of the fraud-reporting system to new employees during 2013 and 2012. This could result in fraud going unreported.

We recommend the Village provide information on the Ohio fraud-reporting system to new employees and obtain a signed confirmation the information was provided.

Officials' Response: The Village will make corrections going forward.

FINDING NUMBER 2013-003

Noncompliance and Material Weakness

Ohio Rev. Code § 733.28 requires the village fiscal officer to maintain the books of the village and exhibit accurate statements of all monies received and expended. Ohio Admin. Code § 117-2-02(A) requires public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. Per Ohio Admin. Code § 117-2-02(D), accounting records that can help achieve these objectives include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of payor, purpose, receipt number, and other information required for such transactions to be recorded on this ledger.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.

Using these accounting records will provide the Village with information required to monitor compliance with the budget and prepare annual reports in the format required by the Auditor of State.

The Village did not properly maintain the appropriation ledger during 2013 or 2012. As a result, budgetary noncompliance occurred.

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-003 (Continued)

Noncompliance and Material Weakness - Ohio Rev. Code § 733.28 (Continued)

We recommend the Fiscal Officer properly prepare the appropriation ledger to monitor compliance and prepare the annual reports.

Officials' Response: The Village will make corrections going forward.

FINDING NUMBER 2013-004

Noncompliance

Ohio Rev. Code § 1347.05 provides that state and local government agencies are entrusted with the duty of collecting sensitive and private information, and auditors must make sure the necessary processes and procedures are in place to safeguard the personal data citizens entrust to them.

Ohio Rev. Code Chapter 1347 contains legal requirements related to personal information systems which are applicable to all state and local agencies and defines the terms and uses of this information.

"Personal information" means any information that describes anything about a person or that indicates actions done by or to a person, or that indicates that a person possesses certain personal characteristics, and that contains, and can be retrieved from a system by, a name, identifying number, symbol, or other identifier assigned to a person.

Every state or local agency that maintains a personal information system shall:

- (A) Appoint one individual to be directly responsible for the system;
- (B) Adopt and implement rules that provide for the operation of the system;
- (C) Inform each of its responsible employees of all rules adopted in accordance with this section;
- (D) Specify disciplinary measures for unauthorized use of information contained in the system;
- (E) Inform a person supplying personal information if it is legally required, or if they may refuse;
- (F) Develop procedures for purposes of monitoring the accuracy, relevance, timeliness, and completeness of the personal information in this system;
- (G) Take reasonable precautions to protect personal information in the system from unauthorized modification, destruction, use, or disclosure;
- (H) Collect, maintain, and use only personal information that is necessary and relevant to the functions that the agency is required or authorized to perform, and eliminate personal information from the system when it is no longer necessary and relevant to those functions.

The Village did not have a formal policy in place as required by the Revised Code. A formal policy did not exist defining "personal information", required duties for the maintenance of personal information and the manner of usage of personal information.

We recommend Council formally adopt a policy concerning the definition of personal information, duties required and the manner of usage of personal information.

Officials' Response: The Village will make corrections going forward.

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-005

Noncompliance

Ohio Rev. Code § 5705.10(I) provides that money paid into any fund shall be used only for the purposes for which such fund is established. As a result, a negative fund balance indicates that money from one fund was used to cover expenses of another fund.

At December 31, 2013, the Village's Parks and Recreation Fund, Building Fund and Theater Fund had negative fund balances of \$1,682, \$8,962 and \$3,511, respectively, after adjustments were made. At December 31, 2012, the Parks and Recreation Fund, Building Fund and Theater Fund had negative fund balances of \$2,013, \$8,962 and \$4,323, respectively.

Because the General Fund did not have a sufficient balance to cover the deficits, restricted monies were used to cover these deficits. Deficits were caused by mispostings and by a lack of budgetary oversight by management.

We recommend the Fiscal Officer and the Village Council monitor fund activity throughout the year to help prevent future expenditures from exceeding available resources, thus resulting in a cash flow problem.

Officials' Response: The Village will make corrections going forward.

FINDING NUMBER 2013-006

Noncompliance

Ohio Rev. Code § 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources.

Appropriations exceeded estimated resources in the General Fund by \$15,423 at December 31, 2013. Appropriations exceeded estimated resources at in the Parks and Recreation Fund and the Theater Fund by \$2,211 and \$20,926, respectively, at December 31, 2012.

As a result, the Village budgeted for deficits in these funds.

We recommend the Fiscal Officer and the Village Counsel monitor estimated revenue and appropriations to ensure that appropriations are within estimated resources.

Officials' Response: The Village will make corrections going forward.

FINDING NUMBER 2013-007

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits subdivisions or taxing authorities from expending money unless it has been appropriated as provided in such chapter.

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2013-007 (Continued)

Noncompliance – Ohio Rev. Code § 5705.41(B) (Continued)

At December 31, 2013, disbursements exceeded appropriations in the following funds:

Fund	Appropriation Authority	Disbursements	Variance
Street Construction	\$10,720	\$12,568	\$1,848
Highway Improvement	0	221	221
Fire	6,000	6,809	809
Theater	0	2,800	2,800
Union Hall	0	297	297
Water Operating	157,277	163,375	6,098

At December 31, 2012, disbursements exceeded appropriations in the following funds:

Fund	Appropriation Authority	Disbursements	Variance
General	\$57,797	\$60,107	\$2,310
Street Construction	8,850	11,677	2,827
Fire	4,820	6,375	1,555
Theater	25,000	28,191	3,191
Water Operating	152,675	157,446	4,771

The practice of allowing disbursements to exceed appropriations could result in negative fund balances for the Village.

We recommend the Village Fiscal Officer compare disbursements to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Village Council should take the necessary steps to adopt additional appropriations, if possible, to prevent disbursements from exceeding appropriations or reduce spending. The Village Fiscal Officer should deny requests for payment when appropriations are not available.

Officials' Response: The Village will make corrections going forward.

FINDING NUMBER 2013-008

Noncompliance

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money.

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-008 (Continued)

Noncompliance - Ohio Rev. Code § 5705.41(D)(1) (Continued)

The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in § 5705.41(D)(1) and § 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now” Certificate – If the Fiscal Officer can certify that both at the time that the contract or order was made (“then”), and at the time that the Fiscal Officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal Officer may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by the Board adopted by a majority of the members of the Board against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any particular line item appropriation.

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used.

The Village did not properly certify the availability of funds prior to purchase commitment for 55% of expenditures tested and 100% of expenditures over \$3,000 for 2013, and 60% of expenditures tested and 60% of expenditures over \$3,000 for 2012. There was no evidence that the Village followed the aforementioned exceptions. Without these certifications, the management of the Village lost budgetary control over expenditures and this condition could allow noncompliance with Ohio Rev. Code § 5705.41(B) to occur.

We recommend the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, “then and now” certification should be used. The most convenient certification method is to use purchase orders that include certification language § 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of § 5705.41(D) are satisfied.

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-008 (Continued)

Noncompliance - Ohio Rev. Code § 5705.41(D)(1) (Continued)

Officials' Response: The Village will make corrections going forward.

FINDING NUMBER 2013-009

Noncompliance and Material Weakness

Ohio Admin Code § 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The following items related to revenue transactions were noted:

For the year ending December 31, 2013, homestead and rollback receipts of \$1,632 belonging to the Fire Fund were improperly posted to the General Fund and \$35 in Highway Improvement Fund motor vehicle license tax receipts were improperly posted to the Street Construction Fund.

For the year ending December 31, 2012, homestead and rollback receipts of \$1,574 belonging to the Fire Fund were improperly posted to the General Fund.

The fund balance adjustments, with which the Village's management agrees, were made to the financial statements and ledgers, and are reflected in the accompanying financial statements.

We recommend the Fiscal Officer refer to the Village Officer's Handbook for proper classification and take additional care in posting transactions to the Village's ledgers in order to ensure the financial statements reflect the appropriate sources of the receipts.

Officials' Response: The Village will make corrections going forward.

FINDING NUMBER 2013-010

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(C)(1) provides that all local public offices integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2013-010 (Continued)

Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(C)(1) (Continued)

At December 31, 2013, approved estimated receipts did not agree to the Village's ledgers as follows:

Fund	Approved Estimated Receipts	Estimated Receipts per System	System Over/(Under) Approved
General	\$31,150	\$34,947	\$3,797
Street Construction	11,517	8,942	(2,575)
Highway Improvement	728	597	(131)
Fire	7,803	6,868	(935)
Parks and Recreation	630	332	(298)
Theater	1,798	3,277	1,479
Water Operating	146,609	128,724	(17,885)

At December 31, 2012, approved estimated receipts did not agree to the Village's ledgers as follows:

Fund	Approved Estimated Receipts	Estimated Receipts per System	System Over/(Under) Approved
General	\$57,860	\$0	(\$57,860)
Street Construction	11,367	0	(11,367)
Highway Improvement	719	0	(719)
Fire	5,976	0	(5,976)
Parks and Recreation	1,022	0	(1,022)
Theater	2,480	0	(2,480)
Water Operating	152,675	0	(152,675)

At December 31, 2013, approved appropriations did not agree to the Village's ledgers as follows:

Fund	Approved Appropriations	Appropriations per System	System Over/(Under) Approved
General	\$59,456	\$52,760	(\$6,696)
Street Construction	10,720	12,604	1,884
Highway Improvement	0	320	320
Fire	6,000	6,809	809
Parks and Recreation	880	195	(685)
Theater	0	2,800	2,800
Union Hall	0	3,081	3,081
Water Operating	157,277	165,018	7,741

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2013-010 (Continued)

Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(C)(1) (Continued)

At December 31, 2012, approved appropriations did not agree to the Village's ledgers as follows:

Fund	Approved Appropriations	Appropriations per System	System Over/(Under) Approved
General	\$57,797	\$0	(\$57,797)
Street Construction	8,850	0	(8,850)
Highway Improvement	1,500	0	(1,500)
Fire	4,820	0	(4,820)
Parks and Recreation	3,300	0	(3,300)
Theater	25000	0	(25,000)
Water Operating	152,675	0	(152,675)

Until October 2013, when the Village began using the Uniform Accounting Network (UAN) system, the Village had no system for tracking approved estimated receipts and appropriations, which caused the Village to lose budgetary control. Beginning in October 2013, approved estimated receipts and appropriations were recorded in the system; however, the Village lost some degree of budgetary control since budgetary information was being improperly entered into the system.

We recommend posting estimated receipts as certified by the County Budget Commission and appropriations as approved by the Board only after receiving approval. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

Officials' Response: The Village will make corrections going forward.

FINDING NUMBER 2013-011

Significant Deficiency

Auditor of State Bulletin 2011-004 mandated Governmental Accounting Standard Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions for financial statements for periods beginning after June 15, 2010. This bulletin requires entities to formally adopt a fund balance policy.

The policy should define whether the auditee considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available.

For unrestricted fund balances, the classification should be based on the government's accounting policies regarding whether it considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-011 (Continued)

Significant Deficiency (Continued)

If a government does not establish a policy for its use of unrestricted fund balance amounts, it should consider that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

We recommend the Village establish a fund balance policy mirroring the definitions and requirements set for by GASB 54 and AOS AB 2011-004.

Officials' Response: The Village will make corrections going forward.

FINDING NUMBER 2013-012

Significant Deficiency

Governmental entities generally have the authority to provide government-owned vehicles and equipment (e.g., computers, internet and phone usage, etc.) for use by authorized users. The use of these items should be specified in a policy established by the government's legislative body.

The Village had vehicles and equipment but they did not have a policy addressing the use of these items approved by the Village Council. This could result in inappropriate use of Village vehicles and equipment by employees.

We recommend Council approve policies as noted above. The vehicle and equipment policy should at a minimum, identify authorized users; guidelines for allowable use, specific unallowable uses; reporting; monitoring of use by appropriate levels of management; and other guidelines deemed appropriate by the legislative body.

Officials' Response: The Village will make corrections going forward.

FINDING NUMBER 2013-013

Significant Deficiency

The Village did not have a formal travel policy other than the approval by the Village Council in the minutes of the mileage rate. Lack of a formal travel policy could cause the Village to reimburse its officials and/or employees for excessive amounts.

We recommend the Village Council establish a policy governing travel reimbursements. The policy should, at a minimum, identify the types of travel authorized, guidelines for allowable and unallowable expenses, limitations on the amount of reimbursement, types of supporting documentation required for reimbursement requests, reporting, and monitoring of use by appropriate levels of management and other guidelines deemed appropriate by the Village Council.

Officials' Response: The Village will make corrections going forward.

**VILLAGE OF CHESTERHILL
MORGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	A material weakness and noncompliance citation of Ohio Rev. Code § 733.28 for maintaining the books of the Village.	No	Not Corrected. Repeated as Finding 2013-001
2011-002	A noncompliance citation of Ohio Rev. Code § 5705.10(H) for negative fund cash balances.	No	Partially Corrected. Repeated as Finding 2013-002
2011-003	A noncompliance citation of Ohio Rev. Code § 5705.14 for unallowable transfers.	Yes	N/A
2011-004	A noncompliance citation of Ohio Rev. Code § 5705.39 for appropriations exceeding estimated resources.	No	No Corrected. Repeated as Finding 2013-003
2011-005	A noncompliance citation of Ohio Rev. Code § 5705.41(B) for expenditures exceeding appropriations.	No	No Corrected. Repeated as Finding 2013-004
2011-006	A noncompliance citation of Ohio Rev. Code § 5705.41(D)(1) for not certifying the availability of funds .	No	No Corrected. Repeated as Finding 2013-005
2011-007	A material weakness for posting revenue and expenditure transactions incorrectly.	Yes	N/A
2011-008	A material weakness for lack of segregated duties within the utility department and lack of compensating monitoring controls.	Yes	N/A

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Dave Yost • Auditor of State

VILLAGE OF CHESTERHILL

MORGAN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 31, 2014**